

**PROPOSED MINUTES**  
**CONCESSIONS MANAGEMENT ADVISORY BOARD**  
**2<sup>ND</sup> MEETING**

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**Call to Order.** The Concessions Advisory Board was called to order by Chairman Allen Naille at 8:42 a.m. in the Prince Room of the Golden Gate Club, the Presidio, San Francisco, California. The following members were in attendance:

Board Members in Attendance

Mr. Richard Allen Naille, III, Chairman  
Dr. James J. Eyster  
Philip Voorhees  
Mr. William S. Norman  
Ms. Cindy Orlando, Designated Federal Official

The following others were in attendance: (at least part of the time):

Mr. Bob Clark, Seven Resorts, Inc., Boulder City, NV  
Mark Morgan, Mt. Rainier NP, Ashford, WA  
Bruce Wadlington, Lakewood, CO  
Skip Larson, NCR, Washington, DC  
Henry Benedetti, SER, Atlanta, GA  
Theresa Ewing, Pacific Great Basin  
Mac Foreman, Pacific Great Basin  
Lee Shenk, GOGA, San Francisco  
Sherrill Watson, Concession Analyst, Washington, DC  
Erica Smith, Concessions Administrative Assistant, Washington, DC  
Tod Hull, Committee on Natural Resources, Wash., DC  
Max Gallevo, GOGA, San Francisco, CA  
Virginia Phillips, GGNRA, San Francisco  
Mai Bartling, GGNRA, San Francisco  
Richard Louthan, GGNA, San Francisco, Ca  
Laurie Shaffer, CPC, Denver, Co  
Judy Jennings, Nps-Intermountain Region, Denver, Co  
Edna Good, NPS-Yellowstone NP, Wyoming  
Patrick Madden, NPS-Goga, San Francisco, CA  
Ned Woodward, General Accounting Office, Washington, DC  
Jerry Swofford, NPS-NE Region  
Tony Sisto, NPS-PW Region, San Francisco

Kevin Apgar, NPS-Alaska Support Office, Anchorage, AK  
Martin Nielson, NPS-Yosemite NP, California  
Mike Gomez, Delaware North Concession, Buffalo, Ny  
Gary Fraker, Delaware North Concession, Yosemite, CA  
Ed Hardy, (Retired Concessioner), Bass Lake, CA  
Fred Vreeman, Sequoia-Kings Canyon NP, CA  
Pip Elles, Blue & Gold Fleet, San Francisco, CA  
Bob Kates, Ggnra, San Francisco, CA  
John J. Reynolds, Reg. Dir, Pacific West Region, San Francisco, CA  
Curt Cornelssen, Horwath-Landauer, Boston, MA

**Remarks By Cindy Orlando, Designated Federal Official**

Cindy Orlando, concession program manager for the National Park Service, and the designated federal official welcomed the attendees to the second meeting of the National Park Service Concession Management Advisory Board. She acknowledged Brian O'Neill, superintendent of the Golden Gate National Parks, and his staff for all of their efforts and their talents for orchestrating the meeting. She also acknowledged Sherrill Watson of the National Park Service Washington concession program for her incredible organizational abilities.

Ms. Orlando explained that the board meets under the authority of the Federal Advisory Committee Act, otherwise known as FACA, and must comply with various requirements of the Act. One of the requirements is that this meeting will be conducive to public participation. Another is that any member of the public may speak and file a written statement. Another is that each advisory committee meeting will be held in a place accessible to the public and as an open meeting will not be held in remote locations not reasonably accessible to the public. Another requirement under FACA is that detailed minutes must be kept and a transcript of the first board meeting held in November of 1999 and the executive summary of that meeting was made available. Official minutes were not taken and action items are reflected in the executive summary.

Ms. Orlando announced that Bruce Wadlington, the manager of the business center in Denver, is transitioning into retirement to northern California. Allen Howe, the executive director of the National Park and Hospitality Association, has also retired. She next announced the selection of two new concession program managers, Mr. Tony Sisto, in the Pacific west region here in San Francisco, and Ms. Sandy Pool of the Midwest region in Omaha. Ms. Orlando recognized that one of the National Park Service business operations, the Washington, DC, Convention and Visitors Association and the Restaurant Association of Metropolitan Washington have awarded the 2000 Duke Ziebert Capital Achievement Award to Sib Dimeglio of Guest Services, Incorporated. The 2000 Capital Restaurant and Hospitality Awards also have nominated for Hospitality Employee of the Year Arthur Doyle of Tourmobile Sightseeing, and for Hospitality Manager of the Year Greta Crossley of Tourmobile Sightseeing.

She next introduced Superintendent Brian O'Neill of the Golden Gate National Parks.

**Welcoming Remarks by Brian O'Neill, Superintendent, Golden Gate NRA**

Mr. O'Neill welcomed the members of the National Park Service Concession Management Board and acknowledged their responsibility as a partner to the Park Service to help figure out how to be more businesslike in how it manages its extremely complex operations and to provide safe advice to GGNP in how to put together a sound concept of managing a complex business operation; how to make sure the right competencies in the staff is developed, and how to make sure that there is access to the talent that is necessary to ensure that GGNP has a clear, concise and comprehensive understanding of its business operations.

Mr. O'Neill then proceeded to give a profile of the complexity of GGNP and its various business operations, reminding the Board that there exists a major challenge here in managing an urban complex of parklands in a very sophisticated sort of business.

**Convene Business Meeting**

Allen Naille noted that the Commission's objective was to take a look at how the Park Service puts together its rate program. Congress has asked the Commission to look at how this program can become more efficient, less burdensome, timelier reviews, and in a recent letter from Congressman Hanson, a 15-day approval program for rate increase requests. Another area that the Commission wants to look at is from the concession program as a whole for the Park Service, its procedures. One is to look at a cost-effective program, to make sure that its process is efficient, less burdensome and a timelier operation. One area that some members of this board and members of the Park Service staff have done jointly together is to study the Department of Defense management program, which will be presented at a later time.

Mr. Naille next asked for introductions of those in attendance at the meeting. It was noted that Board members Ramona Sakiestewa and Burt Weerts would not be in attendance at the meeting, however, Richard Linford (who was also absent) would be present the following day.

**Overview of Business Operations at Golden Gate NRA**

Mr. Robert Kates gave an Overview of this program. He highlighted the physical attributes of the park, aided by slides.

Mr. Kates introduced Mai-Liis Bartling, the new assistant superintendent for planning and business management program. She also introduced Lee Shenk, Pat Madden, business management analyst, Virginia Phillips, Max Gallevo, and Richard Louthan.

Mr. O'Neill re-emphasized the importance of the park and that the Park Service should never move away from the hands-on nurturing approach to partnerships. He pointed to the need for building a stronger and stronger competency of staff in business acumen, and to reinforce how to better understand the business operations in connection with good partnering work. He said it should be recognized that no matter how successful the Park

is in bringing the very best competent people on board and providing them with ongoing training and evolution, that that can only meet part of the requirement, that any park needs to have access to consulting and advisory services to amplify and to add to the resources they have.

He further pointed out that there is a need to have commercial real estate expertise, as well as a need to have legal advice up and above what the Solicitor' Office can provide in commercial real estate and business operations. He went on to say that the real issue isn't how a relationship is nurtured and how to make sure that the kind of business skills that are all too short in the Park Service in terms of training and development programs are available in the future, that future business management people be trained to have skills, competency and confidence to be able to sit in an equal basis across and negotiate a deal and to have the assurance that expertise that is needed to bring on board on a project basis is there to assist in that effort. The formula is to have a competent staff who understands business but most importantly understands the basic tenets of good partnership and a park that has the ability to draw upon the talent necessary to address specific issues that are beyond what would be available on day-to-day basis from the staff.

**Mr. Naille** wanted to know if it would be one company from which the expertise would be drawn or more than one. Mr. O'Neill advised that GGNP was going out for what is commonly called a consulting and advisory services offering, an indefinite-quantities contract, so firms will compete and bring together teams of people that have the full breadth of expertise that may be necessary over a period of time to be able to provide the consulting support that a park may need in their business operations. The firms will put together their teams. They compete for the ability to be able to have a team available to the park to provide those services.

He said that in the Presidio in the business arrangement, GG national parks had a consulting and advisory service team that could be called upon for a variety of things and that team was needed on a sustaining basis. The budget compared to the overall internal management structure is about 10 percent now.

**Mr. Voorhees** asked if GGNRA was unique in the Park Service in the complexity of the business operations, in the size of the business staff that have been accumulated to deal with them and the depth of experience of that staff.

**Mr. O'Neill** agreed it was certainly on such a scale that there was a need to build capacity of the staff to address a broad program. GGNRA's ability to draw upon both pro bono expertise and contracted expertise, made it possible to do the resource stewardship job right and to be good managers of a business operation that had to be organizationally brought together.

**Mr. Wadlington** wanted to know about fee collection activities in the National Park Service and Mr. O'Neill informed him that GGNP is operating under the fee demo program. He detailed how a possible new fee arrangement could be put together by doing the business analysis and by it being an integral part to a unified business operation.

Mr. Naille referred to the revenues of '98 and '99 which had a tremendous jump, and asked what caused that.

Mr. O'Neill explained that this was due to donations resulting from capital campaigns by the park association.

### **NPS Rate Approval Program and Public Law 105-391**

Mr. Naille welcomed Ed Hardy, retired, Yosemite Park concessioner, Fred Vreeman, Kings Canyon National Park, and Marty Nielson, from Yosemite, National Park Service.

**Cindy Orlando**, facilitator for the National Park Service, advised that today's presentation on the rate approval process was in response to section 406 of the Concession Management Improvement Act of 1998, or Public Law 105-391 as well as to the memorandum to the Director of the National Park Service from Congressman James Hanson of the House Subcommittee on National Parks and Public Lands, dated November 8th, 1999, and to the board's charter and executive summary of their meeting, November 8th and 9th, 1999, in which the board is charged by statute to make recommendations to further improve the existing rate approval program which some concessioners have said is burdensome, lengthy and unnecessary. She introduced Laurie Shaffer from the concession program center for the presentation.

### **Presentation by Laurie Shaffer on the Rate Approval Program**

Ms. Shaffer started that her presentation with a brief history of the Organic Act of 1916.

A discussion followed on what constitutes a small or a full review with regard to direct comparability.

**Ms. Jennings** thought that it is important to state that the regional director approve the rate methods for all rates that are determined by the National Park Service, so that park superintendents do not have an option but it does go to the regional director for approval for the rate methods that they use.

**Ms. Shaffer** pointed out that much of the regional director's determination is on the complexity of the service and what type, where it is and that remoteness is a huge factor in dealing with a lot of these. With this type of rate approval, price changes are initiated on a previously identified sub-index of the CPI, so that any changes can be made that are needed. This is a process is used when there is a limited amount of service or items and there's not an obvious comparable, or the method proves to be to the advantage of the government.

Ms. Shaffer next addressed competitive market declarations. This method is used when the pricing of an item is not related to or enhanced by operating in a specific national park. These services are offered in areas where it's a highly competitive market, there is maybe a negotiated sales item, unusual items such as antiques.

All of this is reviewed annually. This becomes the method utilized and when that is accomplished there's no more documentation needed other than an annual review to do the analysis. 33 percent or 350 activities use competitive market declarations.

A discussion followed on similar determinations of competitive market declarations.

The next subject Ms. Shaffer addressed was financial analysis and indexing and this method is only used if

the other four methods don't apply. Indexing uses the CPI or consumer price index to regulate the increases in established prices. Financial analysis is performed by a qualified accountant. Only seven or .7 percent use indexing. She went on to explain the methodology of finding that the rates and charges are reasonable, and that they are equal with or commensurate with the level of service. They're to be reasonable and comparable with similar services and facilities provided by the private sector.

The method of rate approval for each category of service is approved by the region and then utilized to approve those rates. The first submission may take longer.

Responding to Mr. Voorhees' question related to how does the Park Service deals with pricing that might be in the marketplace more volatile, say, for fuel, Ms. Shaffer stated that this is usually done at the park level by direct comparability such as use area and like gasoline stations and things in the area. A lengthy discussion followed on the subject of gas prices.

**Mr. Wadlington** revisited the comparable discussion and stated that at some point in time it is going to come down to the National Park Service having to make a determination as to what the actual comparables are. Everything before that are potential comparables. And that is the agency's responsibility to determine what those actual comparables are. He pointed out that when a concessioner feels that the actual comparables are inappropriate or the actual rates that were finally approved were inappropriate, then they can appeal that, those determinations, to the regional director.

**Mr. Naille** added that another advantage to that is that there is some negotiation that takes place at that point in time which is obviously a communication process which is very healthy. The concessionaire sometimes may upgrade an amenities package to get a certain facility to be accepted with Park Service or they might increase the quality of certain merchandise and upgrading occurs at that point in time also in order to get a certain facility. But agreement is reached jointly and they really point out to one another what's good and what's bad in the way of comparisons.

**Jerry Swofford** from the Northeast Region stated he had been a concession specialist in two parks, the Sequoia and Kings Canyon and Lake Mead, and has experience in that regard. He cited they had a concessioner that ran a buffet and he had to have a certain price in order to make this buffet work, but what was offered was not coming up to that price. The parties sat down together and it was decided what had to be on that buffet in order to get the price that he needed and a solution was effected that way.

He also emphasized that even though there are mechanistic ways of approving prices, like merchandising markup, the point is well taken that a concessioner could decide to buy a product for \$2 instead of \$1 and sell it for \$4 and get twice the profit that he could if he bought it at \$1. So it all harkens back to the wisdom of Congress when they said comparison, you have to play heads up even though you have these mechanistic methods of approving prices, you still have to keep touch with the market.

**Ms. Shaffer** agreed that's very key and especially in merchandise pricing where the market does drive it in some ways.

**Ned Woodward** from the General Accounting Office inquired why there is a price review if those items, the merchandising items, are competing against all other merchandising items, especially with regard to knickknacks, souvenirs of some sort.

**Ms. Shaffer** explained there is a lot of difference between a park that is in a competitive market, like the Golden Gate National Park. There is probably to a souvenir shop down the road where one could find very much the same things or a lot less expensive. But from the standpoint when you were in a remote area and prices are up to the point where nobody's buying anything, then there is a dual responsibility and that responsibility is not only to take care of the visitor but to assure that the concessioner is going to be able to sell those items at a reasonable cost. A lengthy discussion followed on this point.

**Ms. Shaffer** stated that the rate approval for this process is lengthy and only 14.9 percent use a full review or limited review to approve those methods, not a very big group, or 28 percent on the limited review. The rate approval process, by law, has to be done. This isn't the old law, this is the new law; approval by Secretary is required and it shall rely on market forces.

**Mr. Eyster** inquired if there were complaints from concessioners that because they're seasonal, that in order to keep their top-quality people even though they're open maybe five months of the year, they have to pay them an annual salary or 10-month salary. Or is there an issue where seasonal concessioners with seasonal limitations will want to come in and maybe load a fairly heavy corporate structure on against those revenues in order to, say, our profit margin's only two percent because we have these large corporate overheads that we have to cover.

**Edna Good** stated that the problem is because it is seasonal, they hire minimum-wage people and they just keep retraining and retraining. If they would have higher-quality staff they would receive better rates. A lengthy discussion followed on this subject.

Ms. Shaffer continued by stating that all of the rate approval methods have been retained but improved to permit responsible park-level decisions regarding the method of approval. This does not extend to indexing or financial analysis. Also it adds one other thing, one of the things that is required from someone who is doing a pricing for or rate approval for a park is that they go through the training. In some parks there is only a collateral-duty person that they happen to be sitting at a desk in the morning and someone came in and said good morning, congratulations, you're the concession specialist. They have it as part of their duties, that's not all they're doing. But they are now required to have a co-signer on their rate approvals that can go through anyone that is trained, that can go to the region and they can ask the region to co-sign it. It can be sent to the CPC and we can get a co-signer there. What it means is they're able to go out and do the footwork but then it's requiring that somebody who has had experience with this looks at it with them and goes over it, makes sure that it's right. But this does not extend to indexing or financial analysis. The criteria for rate approvals has been significantly altered. She explained that extra-quality features are still utilized and what the terms means.

**Mr. Wadlington** noted that there always were extra-quality features; the new program has adjusted some of

those to identify more modern extra-quality features. Responding to a question by Mr. Hardy regarding a situation where they have approved these rates and the comparable properties might change their rates up or down, how would that be accommodated as part of the program. Ms. Shaffer explained that it requires that the concessioner initiate then a reconsideration.

**Mr. Wadlington** stated that they always had the policy that the concessioner call up the concession specialist and, for instance, and say we sell a lot of New York steaks and the prices of them just went up \$2 a pound. This type of thing can be approved over the telephone. It would require a follow-up, just a note maybe showing us the invoice. A lot of concessioners and even comparables don't always make a change when some of those things happen because it's not always worth the effort to change the menus and everything. This is left up to the concessioner.

**Ms. Shaffer** explained that in this regard the core menu concept has been introduced. This is making life a lot easier. The concessioner is required to keep a core menu. Beyond those approved items, the concessioner can do what they want to do with the remainder of their menu. But those approved items must be in there so that the needs of the market are met within that park. Beyond that, they're on their own. They can make any daily specials are one thing that a lot of parks are using, and that they can price on their own as long as that core menu is intact.

In response to a lengthy discussion on this subject, **Mr. Swofford** stated that every restaurant tries to specialize in something. The park has an idea what they want from the restaurant in their park. As an example he cited that together with the concessioner, the park says this is what we want from your restaurant, we don't want necessarily the top-of-the-line, \$30 sirloin steak combination, we want this middle-of-the-road-type thing, or maybe in another location we will take the top of the line. So what is your specialty, do we agree with that, your specialty, and we'll concentrate on that. That's what our comparison pricing will concentrate on, that specialty. Now in addition to that, you're allowed to vary. Maybe you can offer a \$25 sirloin steak, but your specialty is this, and you should have some cheaper items, you should -- and you're free to have more expensive items, but this is what you're going to specialize in. And we're going to concentrate our comparison on the specialty and this will be your core menu.

Ms. Shaffer noted that the co-signer process has been updated, which was not available before. It follows the format of the service standard guidelines. In other words, all of the guidelines were given a new way to look and so that has been updated to follow that standard guideline. Pricing and evaluation course offered by the concessions division for the past 20 years has been among the top-rated training courses offered by the NPS as rated by the course participants. They're taught internally, yes. And plus at different times people are brought in from the outside on all for different classes.

**Ms. Good** explained that in almost every one of these classes concessionaires are invited, and those who have participated have enjoyed it.

**Ms. Shaffer** advised that CPC is going to start running some models, and will be selecting 10 parks this year that are going to have competitive market pricing. There is an agreement between the Park Service and the



concessioner but this will be allowed with some stipulations. Those will be parks that are recommended by the regional director. They have certain criteria they have to meet. The memorandum for that is in the packets. She pointed out that they have a lot of criteria, have to be in a competitive market, they have to prove it, they have to get an agreement with the concessioner that reporting will be done in a specific way.

Responding to Mr. Naille's inquiry, Ms. Shaffer indicated that the ten parks were not finalized yet, but that suggestions were Bryce, Zion, Grand Teton and Rocky Mountain in the intermountain Region.

The next item up for discussion was the undergoing change in the NPS utility program, which does impact pricing all over the place. There is a solicitor's opinion that says we can also include capital costs, so we're going out and behave like real people. We are not going to drive prices out of the ballpark, we're going to go back to the law that states we can recover cost. So we will be dealing with more reality. Those policies are expected to be released probably within the next two months. She mentioned that next month she would be in Yosemite taking a course on how private industry determines utility costs. So it's going to be interesting to see that, as opposed to doing the comparable utility cost before which were not real, it was really a put-together program that was very, very complicated and very difficult to deal with.

**Mr. Wadlington** provided some of his observations of the Rate Approval Program.

**Mr. Woodward** wondered if the core menu concept doesn't have some potential to be applied to other items. He how much of merchandising is a service to the public that the Park Service should protect and how much is it something that the concessioner maybe could be outside of a core merchandising item. Or lodging, maybe the concessioner review the rates on the economy, the standard and the deluxe rooms, but maybe for some percentage of rooms there could be something that would be outside of that, that would be subject to market rates or if the core menu concept may provide some applicability in terms of streamlining the process in other areas.

Ms. Shaffer thought this might be something that could be considered in other areas and could be up for discussion from a standpoint that with merchandising the Park Service is even approving what will be allowed to be sold, especially with regard to thematic merchandising which will enhance the concessioners's profits. The Park Service is not closing doors and saying no, you can't do that; we're saying let's open the doors, let's bring stores and things and see what we can do, see how we can improve things. She thought it was a good suggestion.

Mr. Wadlington clarified an earlier statement re evaluating, determining comparability or/and rates.

### **Public Comments**

**Bob Clark**, the operations manager for a company named Seven Resorts, Inc. made remarks. Copies of his remarks can be found in the official transcript of the meeting.

A lengthy discussion ensued about the comparables and the fact that the Park Service forces the issue by going out to do these comparabilities, coming back in, working the matrix out, coming up with the numbers

and then insists on the number, when it's not comparable.

Examples of rate approval disparities were provided by Mr. Clark in regard to cigarette prices, moorage and trailer village rates.

**Tony Sisto** with the Pacific west region, chief of concessions indicated that in general he agreed with Mr. Clark's statement, but pointed out that two different rate approvals were under discussion, one on merchandise, one on services for the houseboat or for the other marine operations. On the second one, Mr. Clark was indeed correct in that there was a delay in the request that was sent in last fall and it was due to specific personnel problems with the park. It was unfortunate and it shouldn't have happened. The review has been and the supervisor will have to review and approve that. He reflected that no matter what system is set up, one has to take into account the human factor and things that happen both in the business world as well as in the world of government. A rate approval system that in general has those goals, can set that out, theoretically, 99 percent of the time, respond and get over some of the particular problems that one can never foresee in setting up any system.

**Mr. Norman** asked if what Mr. Sisto was saying in the examples that were described which may be considered somewhat egregious, that three to six months just to get a yes or no, is essentially atypical.

**Mr. Sisto** countered that he had not been with the program long enough to tell if that's typical, but would hope and suspect that that would be generally atypical.

A protracted, general discussion followed surrounding various examples in this particular issue, culminating in Mr. Wadlington stating that at times throughout the program there have been problems with consistency, especially in areas where there is a lot of collateral-duty-type operations, and that it would be good for the Park Service to have some type of a reasonable time frame that is a logical expectation of receiving an answer.

**Mr. Wadlington** then asked a question of all the folks in the room here that are involved in concessions management programs in regions and parks. He asked how many in the regular course of activities, would encourage or invite the concessioner to attend when there are actually visits being made in regards to rate approval.

(Show of hands.)

**Mr. Wadlington** encouraged that practice very strongly and emphasized that the invitation should be out there. It would be certainly appropriate for the concessioner to say no, I don't want to go. A further discussion followed on the time frame aspect and the need to do approval of rates more efficiently.

**Judy Jennings**, Intermountain region commented that there is the opportunity to identify that time frame for rates, that is, in the operating plan. In most contracts, most new contracts have that in them, and those operating plans are reviewed annually in consultation with the concessioner. And so in an instance with Mr. Clark, he has the opportunity to go to that park and say let's put in my operating plan this year the schedule for rates and rate approval. She thought that there is an opportunity there. She hoped that in Mr. Clark's case this is an exception

to the National Park Service in comparability rates. The first time a full review is done, identifying those comparables takes a lot of time and a lot of effort. But, in looking at the future rate approvals, it shouldn't take near as much time because it has already been determined what the comparables are, and those same type of comparables are going to be used and it should be much faster.

**Ed Hardy** commented that during those years where they had a number of days, all it was was a response, it was not an approval, it was not a denial. It could just be that it was being worked on. In some parks, for instance, sometimes there would be an 80 percent approval, and they say the other 20 percent they would continue to work on.

He went on to say that there was some type of a response within 10 days and that was satisfactory. He said we knew we were alive and well, and we thought the Park Service was working on our behalf. So it did not become contentious at all, it was progress.

Mr. Clark clarified that his comments were not directed to Kyra Thibodeau, Chief of Concessions in the Lake Mead National Recreation Area, who is a professional concessions person and a listener. He indicated his comments were not directed at her, but at the system.

**Mr. Voorhees** referred to Mr. Clark's statement that he had an issue with some folks not being able to understand the meaning of the pricing request. He asked for an example, which Mr. Clark provided in regard to comparability of a marina, at Lake Havasu compared to a marina that's sitting on Lake Mead. He said it was a capacity issue on the part of the Park Service. into example by example. He said they did a comparability two years ago and the comparability comes back and they sat down and started talking about power requirements, and here's a prime example. We're talking about electricity. Now this might seem a small thing to you, but it's a big thing in the marina business. He gave a detailed account in this regard with special emphasis on the electricity use in a marina as it related to comparability. A prolonged discussion followed on this subject.

**Ms. Jennings** inquired if Mr. Clark had ever formally appealed the rates and Mr. Clark countered they had never appealed because they did not want to get into an appeal process with rates. They have to work it out with the concessions people. He did not believe that anything could be gained by appealing a rate. They gave the a rate for a specific reason, and one has to then go back and battle that reason, give your reasons and sit down and logically try to go through and try to change it. Appeals are seen as personally and inherently adversarial.

**Mr. Wadlington** described his experience in dealing with appeals.

**Kevin Apgar**, Park Service Concession Manager in Alaska, commented that Mr. Clark was advised that he needed to reach agreement with the park on when he would submit his rate requests and when the Park Service could be expected to respond, and part of the reason the Park Service needs to set that date is it's not just a lack of people in the Park Service, there's a time frame within which they can't get the information from the comparables. If the whole system is based on comparability and someone submits his rate request prior to the time that the Park Service can reasonably expect to get the information from the comparables, then it is not in a position to approve the rates.

**Fred Vreeman**, Kings Canyon National Park, stated that they own the concessions in Kings Canyon National Park at Grant grove and Cedar grove and Sequoia National Forest at Stony creek. Family-owned operation. As a concessioner, he described his experience with the rate approval process. A brief synopsis follows. His entire comments are in the official transcript of this meeting.

I can say for sure that it's an extremely time-consuming process. In a small park like ours, especially for a small number of lodging facilities, it's a long, difficult process for both the National Park Service and for us to enter into.

This is a personal opinion. I believe that we are operating in a competitive environment, because I offer a range of facilities that basically compete with each other. If somebody doesn't want to stay in a lodge room, then they will go to a bath cabin; if they don't want to stay in a bath cabin they can choose a rustic cabin; rustic cabin to tent cabin. So with a range of facilities perhaps we could get away with not having to do these types of processes.

But with that said, I just personally and as a company would say that we knew that there was a rate approval process going into this when we signed the contract; it was part of the deal. So I'm not arguing saying we should throw out the whole rate approval process, but you need to understand it so you understand what we all go through when we do these approvals.

**Mr. Voorhees** inquired what the frequency of doing such a full study would be and Mr. Vreeman indicated that they redid this same study this year, basically preparing for an appeal. You really need to revisit the facilities at least every other year because the facilities change so much when you're in these small lodges and resorts like cabin systems and tent cabins and things, they can go downhill really fast, and sometimes unless you find one that's a good, stable facility, we hope we have a few, my belief is we should send somebody out at least every other year. He said, as a company, we do, we send people out.

A discussion followed on the need and frequency of a full study as opposed to the presumed streamlined process that is leveraged off of a periodic, full process.

**Mr. Wadlington** noted that a lot of places will send out a questionnaire to the comparables prior to visiting that asks nearly all of those questions, and allows those people to respond at their leisure or let you know that they don't even want you to darken their doorstep, they don't want you to come by.

A discussion on comparables rates as it relates to smaller properties followed.

**Gary Fraker**, former president of the Yosemite Concession Service and now the new vice-president, New Business Development, and also representing the Yosemite Concession Services in the form of Delaware North companies and Delaware North parks, explained the way Yosemite goes through this whole process of establishing rates by setting time frames with the concessions group in Yosemite that starts that process, and then backing away until a point where it's comfortable enough to start what is referred to as an informal process. No documentation, no writing, it's having conversations, it's making sure that all are in alignment in sync with the thinking. Once it gets to a point where everyone is ready to submit a written request, this is

done and, generally

speaking, those written requests will come back within 45 days. Now that's not the letter of law, sometimes they come back in a shorter period of time; sometimes it takes substantially longer.

**Pip Ellis** with the Blue-and-Gold Fleet commented that she doesn't have much history on this, but last year we did have a rate approval that was fairly expeditious, several months, and that's the length of time that we expected. We do have a rate approval request pending, with our food service subcontractor, and I'm interested to see how long that's going to take after the discussions this week, and I'll certainly keep track of that and document it for the process of discussing the change.

**Mr. Naille** interrupted to indicate that the regulations aren't going to be discussed in this forum. We may get into backlog discussions because the GAO report is going to discuss that. The Park Service has set a time line for publication of the final regs in the Federal Register of April 17th.

Mr. Naille then brought up for discussion and/or brainstorming the core concepts for the lodging industry.

**Mr. Eyster** explained that the Park Service would fix the 75 percent of the rooms, which rooms and what rate might want to be picked for the mid-price range and then have the highs and the lows float.

**Marty Nielson**, Chief, Concessions in Yosemite stated that with lodging rooms, there is a set number of lodging rooms, and it's a take-it-or-leave-it. Oftentimes the lodging rooms are occupied 100 percent. There is no choice, and in fact a lot of times, at least the experience in Yosemite is if there are lodging rooms available it's on the lower end because people really want upgrade to the other amenities. That the core concept for lodging does not fit as it does for the food and beverage.

**Mr. Naille** thought that one of the objectives he would like to see in the recommendation is to figure out how that time exposure can be cut down and still get satisfactory results.

**Mr. Apgar** commented that the operators used to require the rates in January and then it went to December and then it went to October and now, being in Alaska, it's dominated by tour operators. They want a rate approval in May for the year, for the next year, and he was unable to get the comparable information from individual hotels a year in advance, those dates are moving up all the time.

**Mr. Wadlington** thought the Advisory Board needs to look at the lodging problem and set aside the other, because it has always been recognized that the Park Service has a significant responsibility in trying to get those lodging rates to be reflective of similar operations outside the park. The Park Service probably is a lot more flexible and would be less worried about the responsibility in food and beverage or merchandising because there's more discretionary spending that goes on there. He suggested that the CPI doesn't always work real well, because it is not very microscopic. Mr. Wadlington explained how the CPI would possibly apply to lodging.

A lengthy discussion followed on that subject.

**Cindy Orlando**, National Park Service thought it might be appropriate at this time to revisit the legislative

history and to look at the discussion, in the House Subcommittee Report. She pointed out that new language has

been added in the third sentence of this section after talking about the description of the reasonable rates being the same as the comparable provision in Public Law 89-249, the section has been changed to reflect the committee's direction that although concessioner rates to the public are to be subject to the approval by the Secretary, the approval process utilized by the Secretary is to be as prompt, unburdensome to the concessioner as possible, and is to rely on market forces to establish reasonableness of rates and charges to the maximum extent practicable, such rate approval processes to be developed by the Secretary taking into account the recommendations of the advisory board.

At 4:21 p.m., the session was recessed, to reconvene on the day following, Wednesday, April 12, 2000, at the same address, in the west ballroom.)

### **WEDNESDAY, APRIL 12, 2000**

**Ms. Orlando** welcomed Regional Director John Reynolds from the Pacific West Region.

#### **Remarks by John Reynolds, Regional Director, Pacific West Region**

**Mr. Reynolds** welcomed the participants to the Pacific West Region and thanked them for taking on the task of Concessions Advisory Board. Mr. Naille then introduced Ned Woodward, who spoke on the GAO Report.

#### **Discussion Of Contents Of General Accounting Office Report on Concessions**

##### **Remarks of Ned Woodward, General Accounting Office**

**Mr. Woodward**, gave a presentation on the GAO Report. The report identified three key management problems with the concession program, that affects the concession program. The first is its management of human capital. The second is the agency's out-of-date practices in handling its concessions contracting workload as well as its chronic backlog of expired and extended contracts, and the third point is a lack of accountability within the concessions program.

The human capital issues involve the hiring and filling concessions positions, and the training afforded to concessions staff.

The training for concession positions is minimal. The only required training class is a 40-hour class on pricing and evaluations. There is a limited grant program, which offers the opportunity for people to take classes or go visit with corporations and learn their practices or other agencies. There is a weeklong training class on contracting, as well as some other periodic training.

The second key management problem that was identified in the report related to contracting practices. One area is that the concessions program has not sought out or used best contracting practices in the Federal Government or practices within contracting programs within the Park Service. Secondly, was the issue addressing the chronic backlog of expired and extended concessions contracts.

The Federal Acquisition Regulations or the FAR have been included in federal regulations. The Park Service Concessions Program is not subject to the FAR, as it does not use appropriated funds in its contracting. Additionally, the Park Service has had its own contracting authority as per the '65 Act and with the Title 4 or 5 of the Parks Act of '98. Because the Park Service is exempt from the FAR, it can pick and choose from the best practices of the FAR.

**Mr. Woodward** indicated that the concessions program lacks accountability and has an abridged organizational structure of the Park Service. Park superintendents or their staff manages concessions. Park superintendents report to regional directors. Regional directors report to a deputy director or the director of the National Park Service.

**Mr. Woodward** explained that this organization structure precludes the Chief of Concessions from directly affecting the people that are implementing the program and serves only as a policy arm within the agency. This type of organization also prevents superintendents from being held accountable for the condition of their concessions program.

**Mr. Woodward** concluded the report by explaining that regardless of which option the agency selects, the agency needs to strengthen the control and accountability of the program.

**Mr. Norman** expressed concern for the findings of the report and suggested that the organizational issues be addressed in terms of the absence of line authorities, which is at the core of trying to solve the systemic problems.

**Mr. Woodward** responded by stating that the systemic problems are a direct result of the disconnection between where the expertise and leadership in the concessions program lie within the agency and where the program itself was implemented.

A discussion between **Dr. Eyster** and **Mr. Woodward** regarding the degree a Director of the Park Service could be held accountable for inadequate performance followed.

**Mr. Reynolds** stated that he had not seen the agency response to the report. He then described what his accountability as regional director or Senior Executive Service is, as well as what is the superintendent's accountability in the Park Service today. He explained that there is no standard or accepted list of what a superintendent or a regional director is supposed to be accountable for.

**Mr. Reynolds** reported that in the Northeast Region, there is an approach that has been developed and has 21 major entries and approximately 200 subentries. He also indicated that he thought that this set of best

practices was a good system, but that virtually no superintendent agreed that it is a good system. The Park Service, the

Department of Interior and the Congress do not easily entertain requests for funds for central offices for accountability or for training. The department has reluctantly bought off on some training requests, but Congress never fulfilled them in recent years. They have all been cut out for central training opportunities. The Park Service, particularly park superintendents, are powerfully against centralized accountability systems.

**Ms. Orlando** reported that a performance standard had been drafted and was presently being reviewed by the human resources in Washington, D.C. The director has indicated that this performance standard is going to become a part of the performance appraisal. She also reported that she holds telephone conversations with regional directors regularly, in an effort to promote accountability.

**Mr. Gary Fraker**, from Delaware North Park Services, suggested that the deficiencies listed in the report with regard to Sequoia King's Canyon should not have been lumped together as two concessionaires and that responsibility for deficiencies on the Delaware North side and Sequoia, will not be accepted. Mr. Fraker briefly discussed contracting with the National Park service.

**Mr. Kates** spoke on behalf of Brian O'Neill, with Golden Gate National recreation Area. He stated that the broader issue is that, in any case, the Park Service needs to get behind broader-based business practices. He suggested that a stronger system needs to be developed with respect to core competencies and qualifications. He suggested that training for existing staff also needed to be strengthened and that a concerted effort needs to be made to bring in more qualified people with business expertise. At the same time, on a project basis, as need be, for very complex business transactions that the private sector is tapped into and used for consulting in that regard. A discussion on the concession contracting backlog followed.

**Mr. Wadlington** briefly described his background with the park service and addressed issues within the Park Service in relation to the concessions program. He also provided an explanation of mechanisms currently in place with the Park Service, which are companies used to facilitate economic feasibility work and other accounting-type activities. These companies also function as brokers, to make sure the Park Service gets the right type of people it needs.

**Mr. Fred Vreeman**, Park Services Company, commented on the GAO report and some of the conclusions that were drawn with respect to King's Canyon Park and our facilities. He also discussed the quality and consistency of the line inspections. He described how the National Park Service performs periodic concession evaluations. Mr. Vreeman felt that the second major problem was that the Board needed to direct the National Park Service to ensure that NEPA processes, historical preservation processes are completed in order for zoning approvals to be issued. He also suggested that the advisory board consider writing a one-line statement to the Secretary that says hire out qualified facility inspectors to do these inspections.

**Mr. Marty Nielson**, Chief Concessions Management, of Yosemite National Park, voiced concerns regarding facility inspections. He felt that the Park Service does not have the type of individuals currently within it that can do the plan check function and that are professionally trained. He then discussed a technical point from the GAO report, and that related to the contracting authority versus contracting administration. A discussion



followed in this matter.

**Mr. Curt Cornelssen** discussed the difference between inspections in terms of guest perception versus inspections in terms of asset management and property management. A discussion on standardization programs and the use outside organizations to provide regional inspectors and standards for evaluations or inspections of facilities followed.

#### **Presentation by Bruce Wadlington re: Department of Defense Best Management Practices**

**Mr. Wadlington** presented report in response a request at the first Advisory Board meeting to perform an analysis of the Department of Defense approach to providing hospitality and recreational services on military bases. This request was made in response to comments and descriptions by Congress. The Department of Defense approach was highlighted as a model of out-sourcing and asset management from which the National Park Service could perhaps benefit in our approach to National Park Service Concessions Management Program.

**Mr. Wadlington** described how the DoD manages and conducts all its commercial responsibilities. They all operate under what are called NAFIs. NAFI, stands for Non-Appropriated Funding Instrumentalities, because the monies that they're working with are not appropriated funds, and they have established procedures, methods and policies for how to utilize those funds.

NAFI is an off-budget system, and a federal instrumentality that provides access to and use of the land. The land is assigned not dissimilarly to how the Park Service does land assignments to concessionaires. The concessionaires don't pay rent or have to lease the land. The operations were established in the late 1800's, are not incorporated under the laws of the state and are tax-exempt. They don't have to follow FAR, but they do follow the best management practices of FAR and are able to invest their funds in interest-bearing accounts.

**Mr. Curt Cornelssen** presented a report and briefly described his background in the hospitality industry.

The report included legal definitions in the NAFI, it's history and structure, the management, the financial tools, and how the National Park Service could benefit from the organization. The report also included some ideas for the Board's consideration and discussion.

**Mr. Cornelssen** defined NAFI as both a management entity and a fiscal entity, that performs a government function and has a and has control and accounting fiduciary role. NAFI has the legal status of a government instrumentality, for all of its own money. It can also administer congressionally-appropriated funds. NAFIs don't have direct line authority. They are acting in an advisory capacity at the Headquarters level.

**Mr. Cornelssen** presented charts detailing the personnel organization structure of NAFIs within the DOD and described the business functions that NAFIs provide. NAFI employees have portability of benefits.

**Mr. Cornelssen** noted that a significant differentiation is that the DOD is operating most of these entities

themselves as opposed to the way the Park Service, which concessions out or leases out it's facilities. He then provided hypothetical examples of how Park Services operations could be organized in a way that is similar to the DOD.

**Mr. Mark Morgan**, Mt. Rainier National Park, briefly described his background and discussed his concerns about the lack of training opportunities within the Park Service. He suggested that the Park Service provide more hands-on basic training and career development to the concessions people in the field. He also discussed the concept of asset management and felt that moving asset management outside the Park Service could be extremely detrimental to the major objective of the Park Service. He suggested that the Park Service should determine what the status of the national parks will be in 10 and 15 years, and what will the demands going be on those parks.

**Mr. Wadlington** suggested that, on a pilot-type basis or on a permanent-type basis, a NAFI for us would not look exactly like a NAFI for the military. The concessionaires would be included in the total package, as they are responsible for a lot of things that the military uses their NAFIs for. A discussion on how NAFIs are revenue-generating followed. The discussion also included elements of culture as being a major distinction between concessionaires and DOD NAFIs, and the distinction between MWR, morale, welfare and recreation, and a NAFI. MWR is one of many NAFIs. The NAFI really is a funding and management system, that the DOD has created all their own policies and procedures for this particular NAFI. Also discussed were the two immediate benefits of construction management and income-generating activities and that NAFIs are analogous to regulated special accounts.

At 4:22 p.m., the meeting was adjourned, to reconvene tomorrow morning, Thursday, April 13th, 2000, at the same address, East Ballroom.)

## **THURSDAY, APRIL 13**

### **Discussion of Purpose and Mission of the Advisory Board**

**Mr. Naille** presented the following 13 different topics, which were pulled from the proceedings, that he felt were ideas on which the Park Service should seek further information and have more general discussion.

- 1) 15-day approval process or some comparable rates appropriate timetable.
- 2) Competitive market approach test bed.
- 3) Central inspection organization, either internal or external (AAA, mobile, etc.)
- 4) National management company (Horwath-Landauer, etc.)
- 5) NPS national experts
- 6) CPI indices for rate approval process
- 7) Qualifications
- 8) Management advisory company budgets
- 9) Department of Defense and NAF training and expenses for NPS staff

- 10) Organization of a team of individuals to study the existing concession program.
- 11) Creation of NAFs
- 12) Systemic issuance of NPS culture towards natural resources

- 13) Adoption of the GAO report as the growth bible for the system.

**Mr. Wadlington** explained the 15-day approval process, the competitive market approach test bed, and the central inspection organization concepts. He explained that the rate approval program would make it easier for the concessioner to establish their rates. He also suggested that the Park service set up a program of needs and then solutions to determine how to utilize a national management company like Horwath-Landauer. He expressed some concern regarding how the Park Service would budget this type of organization by unit use while preserving the flexibility of the unit, and to be able to tap that source of consulting services at will.

**Mr. Wadlington** explained that the NPS national expert concept would include marina experts, lodging experts, retail experts, food and beverage experts, livery, etc., that would check and regulate system wide. For example, these experts would do inspections and rate approval recommendations throughout the system. It would fall under the reorganization concept, whether it would be a regional approach, or a centralized approach.

**Mr. Woodward** discussed the accountability concept, stating that there is a lack of consequences for poorly maintained facilities. He also discussed the NAFI concept and suggested that the interest go towards training issues, professionalization issues, and possibly consulting contracts. He also discussed the CPI concept and suggested that the Park Service provide incentives for the concessioners to keep the facilities in good shape.

**Ms. Good** commented on the CPI concept, suggesting that it could be done relatively easily if the right CPI increase is tied to the average rating on the Park Service's regular inspections.

**Ms. Jennings** discussed the National Park Service concessions program. She suggested that the Park Service should implement past practices with regard to an operation evaluation team. Where the Park Service had put together a team, gone to the area and looked at the facilities, the rates, the evaluations, and determined consistency. Accountability was then applied. She also discussed the five-year strategy-contracting concept, suggesting that the Park Service basic data of survey information, to make sure that visitors felt they were getting the service and the facilities that they thought were appropriate.

**Mr. Eyster** expressed concern for the possibility of rates increasing to the point that only the middle class and upper class families will be served and that the lower end, will cause the number of tents in the parks to quadruple.

**Mr. Apgar**, from the Alaska region discussed the regional differences of the 15-day limit, suggesting a 30 to 45 day limit would be more appropriate. He also suggested that because the Park Service is charged by statute with coming up with a recommendation, it might be helpful to have an official position from the association.

**Mr. Naille** discussed the concept of central inspection or the national expert kind of a concept. He suggested

regional activity be the focus of super-training, with the exception of bigger parks, which would always have full staffs that go through the same kind of a program.

**Mr. Naille** discussed concession management. He suggested that the Park Service assemble a team of individuals from present and past NPS and outside consultants to study the existing concession management program. This team would come up with ways to reorganize, redirect, streamline and overhaul the Park Services current practices. The team would apply the best of the DOD NAFI and hospitality industry practices on a five-year strategic plan. He also discussed the strategic planning program and the development of a 10-year strategy.

**Mr. Norman** discussed the issue of accountability and consistency in the Park Service and the avenues that the National Park Service has to address the issue of accountability. He suggested that a cross functional group, an internal one perform an evaluation and present reports to the superintendents.

**Mr. Voorhees** discussed the concept of NAFIs and felt that the Park Service should embrace fee demo funds as well as franchise fees. He felt that money should be accorded from interest generation, and not exclusively for concessions management.

**Ms. Ellis** suggested a 30 to 45 day rate appropriate timetable. She felt that this time period would allow for the marketing and publishing of brochures and collateral materials. She also requested more lead-time prior to the next meeting and a clearer explanation of how the advisory board will work.

### **Adjournment**

At 11:38 a.m., the second meeting, third session, was concluded.

### **ATTACHMENTS**

- (1) August 14, 2000 *Federal Register* Notice of meeting**
- (2) Meeting Agenda**
- (3) Transcript of Meeting (To be made available upon request)**